

AN INSIDE LOOK AT

LEGAL ENTITY MANAGEMENT PRACTICES

2023

Deloitte.

ACC Association of
Corporate Counsel

Legal Entity Management

Mitigate risks | Enhance visibility | Reduce cost

An outdated and inefficient legal entity management process may create needless costs and risks, including potential instances of noncompliance. Deloitte's Legal Entity Management* (LEM) services can provide increased transparency into legal entity governance and reduce cost, all in an effort to make your legal ecosystem more efficient and effective. Further, Deloitte's LEM services are powered by an integrated workflow, data, and document management technology platform providing high visibility into engagement management workflows and real-time analytics.

Our Key Offerings:



Annual Filing Compliance



Event Driven Compliance



Data Systems & Records :
Analyse , Reconcile & Remediate



Governance and Board Support



To know more, Scan the QR Code
or visit www.deloitte.com/us/LEM



TABLE OF CONTENTS

SECTION 01

Staffing and Structure 8

SECTION 02

Policies and Procedures 14

SECTION 03

The State of the LEM Function 26

DEMOGRAPHICS

34

INTRODUCTION

The Association of Corporate Counsel (ACC) in collaboration with Deloitte Tax LLP's Legal Business Services Practice is pleased to present the 2023 edition of *An Inside Look at Legal Entity Management Practices*. The purpose of this survey report is to improve our understanding of existing legal entity management (LEM) team structures, procedures, and processes that organizations have in place to manage complex compliance and regulatory obligations.

The COVID-19 pandemic and resulting economic uncertainty along with a constantly shifting and complex regulatory environment has led to a rise in M&A activity, mounting cost containment pressures, and a slowdown in hiring, all leading to greater focus on legal entity governance in recent years. The rising demand to satisfy obligations across multiple jurisdictions and meet the new standards of transparency on a global scale is causing a re-evaluation of operating models and corporate governance structures.

The results reveal that many organizations lack policies, procedures, and processes to effectively manage their subsidiary governance, putting them at greater risk of non-compliance. In fact, a quarter of organizations admitted that some of their corporate entities have been out of good standing with regulators over the past two years and nine percent said that a delinquency has impacted a business transaction. Thirty-eight percent of organizations are using Excel exclusively to handle entity management, so it is no wonder that a majority are dissatisfied or neutral with the technology they have in place to meet their compliance obligations. Entity governance and regulatory compliance are the top priorities for LEM teams in the upcoming year but many teams continue to face competing priorities and a lack of bandwidth to achieve their governance goals.

Effective entity management can help ensure legal compliance with a highly complex regulatory framework, secure greater business continuity, and help to increase deal readiness by reducing delays in maintaining corporate records, all leading to better business outcomes and clearly showcasing Legal as a major value center to the business.

Based on a survey population of 467 organizations, the results provide a broad picture of corporate entity management structures, practices, and expectations that covers 20 industries, all global regions, and companies of all sizes. As always, we intend for the results to be both educational and of practical use to ACC members and the broader in-house legal community. We would like to thank all survey participants for dedicating a few minutes of their valuable time. We look forward to continuing to provide the in-house community with relevant, data-based thought-leadership.

Sincerely,

Blake E. Garcia, Ph.D.
Sr. Director of
Business Intelligence
Association of Corporate Counsel
acc.com

Michael Rossen
Managing Director,
Legal Business Services
Deloitte Tax LLP
deloitte.com

KEY FINDINGS

1

Most organizations expect no changes to their budget or staff dedicated to entity management over the next year

Seventy-nine percent of organizations expect their LEM staffing levels to remain the same, while 14 percent expect an increase (down from 22 percent last year). Those who expect to decrease their staff cite economic concerns, the need for cost control due to a drop in profits and departmental/organization-wide staff reduction. Those who expect an increase in hiring cite the need for more staff due to the changing regulatory climate, company growth and more entities to manage, and the overall decision to in-source more work.

2

Many organizations lack official entity management policies, procedures, and processes

Twenty-five percent of organizations have no official policy or process to update company records including minute books and entity management systems. Twenty-seven have no process to monitor annual compliance obligations, and 31 percent have no process to enable effective subsidiary governance in general. A significant percentage of companies that do have official policies and procedures in place do not follow or implement them. In addition, 30 percent of organizations have no annual compliance calendar in place and 10 percent either have no entity organizational chart at all or it is not maintained.

3

More than one quarter of organizations admit that some corporate entities have been out of good standing with regulators over the past two years

Thirty-two percent of respondents reported that updates to their corporate records have been delayed some time over the past two years. Twenty-six percent said that at least some of their corporate entities have been out of good standing with regulators over that time period and an additional nine percent said that a delinquency regarding an entity's status with regulators has impacted a business transaction. This may not be surprising given that seven percent of companies still exclusively use physical documents to maintain their corporate records and just 40 percent use some form of entity management database.

4

Sixty-two percent of organizations are dissatisfied or neutral with the entity management technology they have in place

Nearly half of all organizations surveyed use Excel as their entity management technology followed by Diligent (13 percent) and GEMs (six percent). Thirty-eight percent use Excel exclusively and among those who do, unsurprisingly just 30 percent are satisfied with it, while among those who exclusively use a formal entity management platform (not Excel), sixty-seven percent say they are satisfied.

5

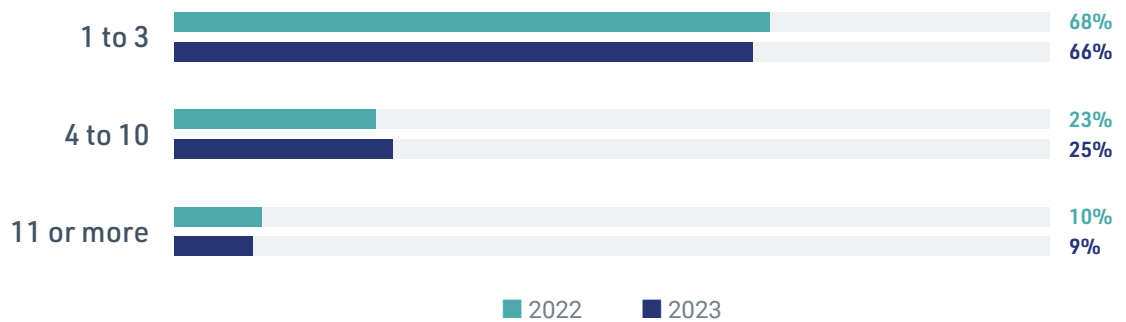
Legal entity governance is the top priority for LEM teams over the next year but competing priorities and lack of bandwidth remain the biggest pain points

When asked about the top priorities for their LEM teams over the upcoming year, respondents cited entity governance (66 percent) and regulatory compliance (61 percent) as the top two priorities, followed by legal entity rationalization (39 percent), better leveraging technology (30 percent), and cost reduction (25 percent). However, teams are still experiencing numerous pain points including having too many competing priorities (62 percent), lack of bandwidth (49 percent), inconsistent processes (37 percent), among others.

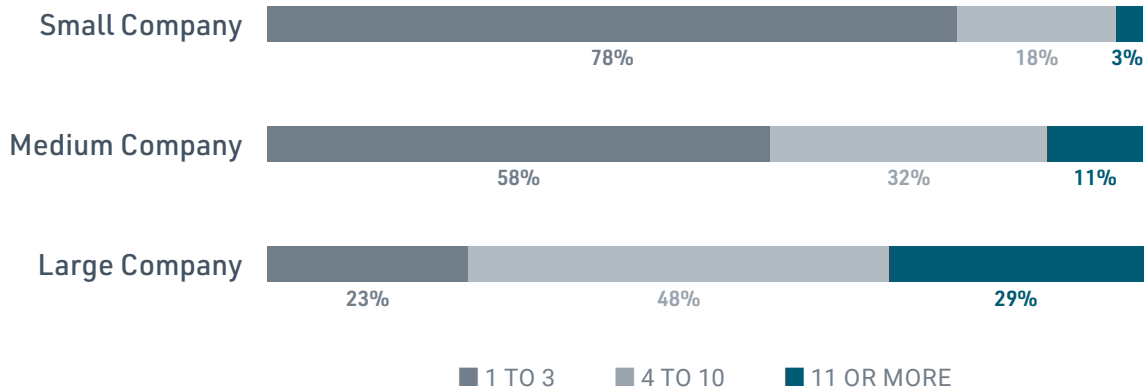
SECTION 01

STAFFING AND STRUCTURE

How many individuals comprise your Legal Entity Management (LEM) team? If no LEM team, then how many individuals are involved with LEM processes for your organization?



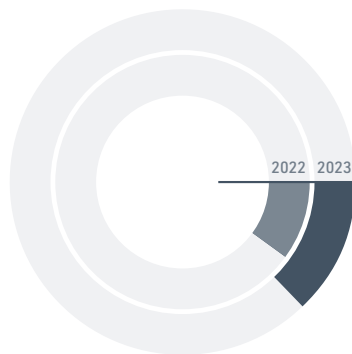
BY COMPANY SIZE



Most legal entity management (LEM) teams consist of one to three individuals (66 percent), one in four organizations have an LEM team ranging from four to 10 members, and nine percent of have more than 10 individuals with LEM responsibilities. As to be expected, larger companies tend to have much larger teams handling this work. For example, nearly one-third of companies with greater than US\$5 billion in revenue have 11 or more staff with LEM responsibility compared to just three percent of companies with under US\$1 billion. The results closely resemble the distribution observed in 2022.

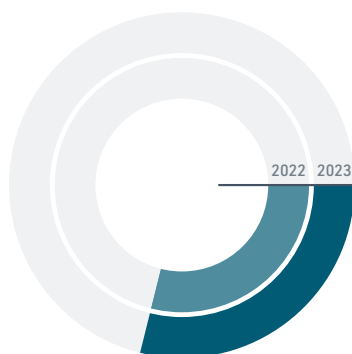
What is the average experience level of your LEM team or individuals involved in the LEM processes?

LEM teams tend to be made up of experienced professionals, with about one in three participants reporting an average experience level of more than 15 years. Just 13 percent reported an average of under five years of experience. Although this last category records a slightly larger percentage of respondents than last year (10 percent), overall, the distribution of the survey respondents in terms of experience remains remarkably close to that observed in 2022.



UNDER 5 YEARS

2022: 10%
2023: 13%



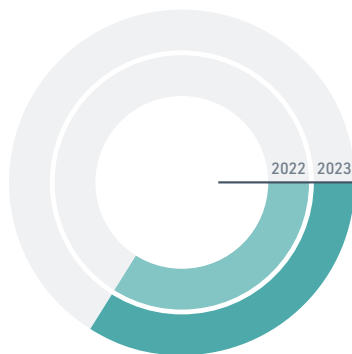
5 TO 10 YEARS

2022: 29%
2023: 29%



11 TO 15 YEARS

2022: 27%
2023: 25%



MORE THAN 15 YEARS

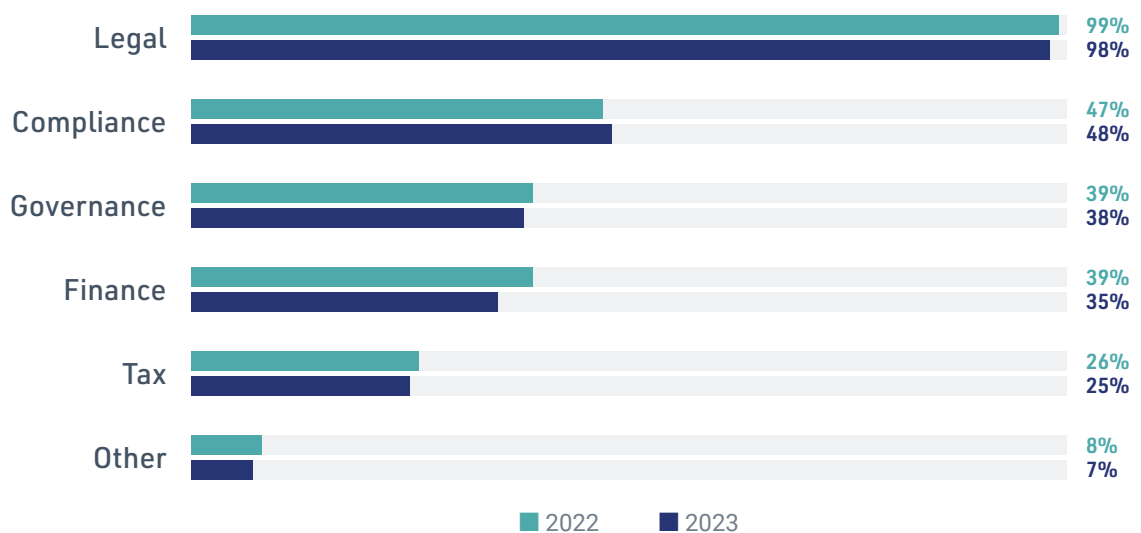
2022: 34%
2023: 34%

Tax experts are part of the LEM team in 40 percent of large companies with \$5B or more in revenue, compared to just 20 percent in smaller companies with under \$1B.

In terms of the types of professional backgrounds and expertise that individuals bring to LEM teams, the results also show continuity compared to last year's survey. Practically all participants (98 percent) indicated that someone from Legal is a member of the LEM team in their organizations, and almost half (48 percent) said that a compliance professional is a member.

Thirty-eight percent indicated that the governance function is represented, 35 percent indicated that the finance department is also involved in LEM activities (a four-point decrease compared to 2022, the largest variation observed in this year's results), and 25 percent of organizations reported that tax professionals are also part of the LEM team. This last category of professionals is the only one that shows a substantial degree of variation across company sizes, with 40 percent of participants in larger companies saying that tax professionals are involved with LEM activities compared to just 20 percent in small organizations of up to US\$1 billion in revenue. Seven percent of participants say that other business functions are represented in the LEM team.

From which functional area(s) are employees responsible for or play a material role in ongoing enterprise and/or entity-specific LEM activity? *Select all that apply.*

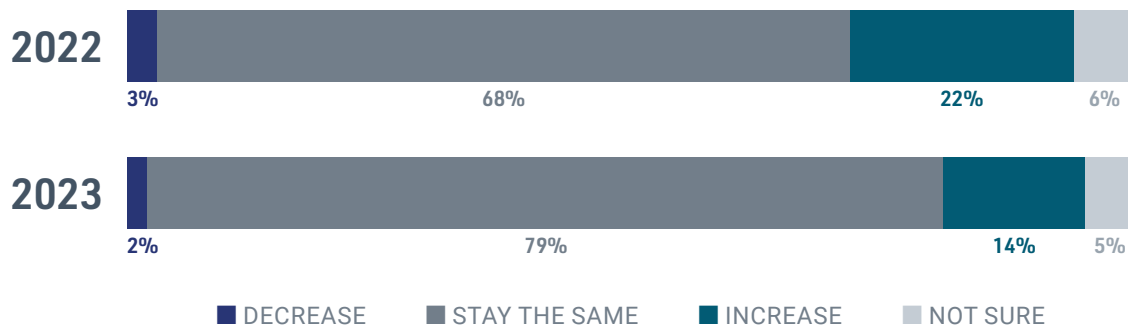


Other functional areas reported: accounting, administration, business development, corporate secretary, cybersecurity, data privacy, office of the CEO, operations, risk management.

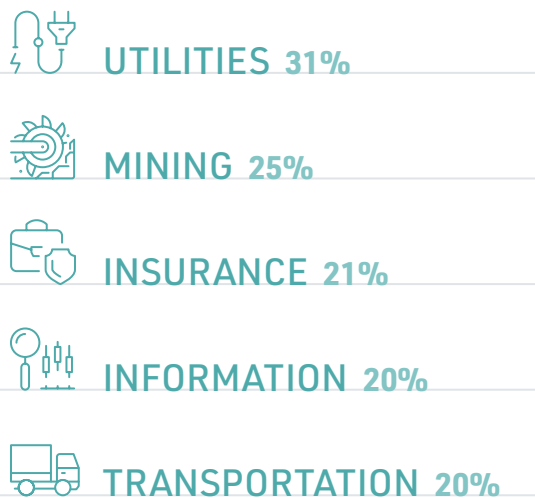
Most participants expect that the number of individuals working on LEM activities at their organizations will remain the same this year (79 percent), and only a small minority expect the size of the team to decrease in the coming months (two percent). Conversely, this year just 14 percent of respondents expect to add new members to the LEM team compared to 22 percent last year, an eight-point reduction. This is likely due to concerns about the economic prospects for 2023 and beyond, with the lower expectations on hiring new staff affecting all types of legal department positions, as the findings from the [ACC 2023 Chief Legal Officers Survey](#) highlighted.

Organizations in some industry sectors, namely utilities, mining, insurance, information, and transportation, anticipated increasing the size of their LEM teams in greater numbers than the survey population as a whole.

Do you anticipate your LEM staffing levels will decrease, stay the same, or increase in the next 12 months?



TOP 5 INDUSTRIES with Highest LEM Staff Increase Expectations



“Times of economic uncertainty often lead to budget tightening and a reduced focus on talent management. It is precisely in these times when the business can be most at risk. Make sure that you have the appropriate composition of personnel who are responsible for statutory compliance across your various jurisdictions, that risk is managed at the appropriate business level with clear documentation, and that the roles of the contributing business functions (Legal, Tax, Compliance, etc.) are aligned.”

- JAMES TUROFF, SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY, THE HERSHEY COMPANY

Why do you anticipate an increase or a decrease in LEM staffing over the next 12 months?

Asked only to those who expect an increase or a decrease in the number of LEM staff, respectively. Open-ended question.

Among those who expect an increase in their LEM staffing levels over the next year, respondents provided several reasons including company growth and expansion to new jurisdictions, which will require a larger number of entities to handle and more complex management situations. Others said that they are currently understaffed for the current amount of work that they handle.

Among the fewer participants that expect a decrease in LEM staffing numbers, the main reasons expressed included concerns about the economy, and the need to reduce costs and workforce at the broader organizational level in general.

INCREASE

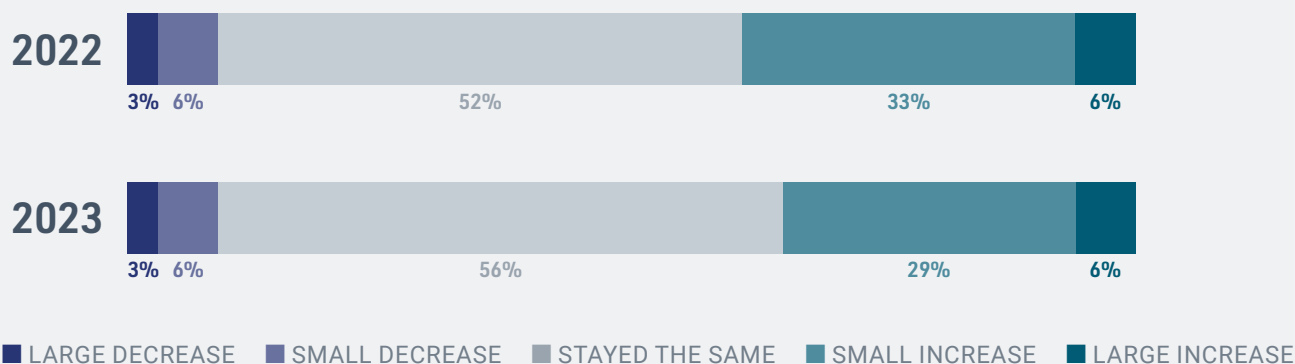
- Changing regulatory climate
- Company growth and managing more entities
- Expanding to new jurisdictions
- Insourcing more work
- Require more staff to handle the work

DECREASE

- Concerns about the economy
- Cost control
- Fall in corporate profits
- Reduction in staffing overall
- Top-down decisions

How has the budget for LEM changed over the past year at your organization?

The LEM budget stayed the same compared to the previous year in a majority of organizations (56 percent), with 35 percent having reported that it increased (six percent reported that the budget increase had been large). This represents a four-point drop compared to the result observed in the 2022 survey. Just nine percent indicated that the LEM budget had decreased.



POLICIES AND PROCEDURES

Do you currently have official LEM policies, procedures, processes, or other controls to track annual compliance obligations and to make updates to entities' corporate records?

Many organizations lack official policies, procedures, and processes for effective entity management, though larger organizations tend to have more in place than smaller organizations.

Update company records including minute books, entity management systems, etc.



Monitor/track annual compliance



Enable effective entity/subsidiary governance and oversight



■ Yes, and they are followed ■ Yes, but they are not implemented ■ No

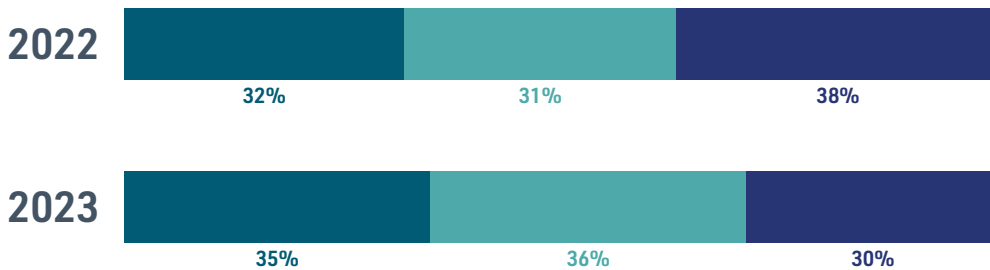
About two-thirds of participating companies have official LEM policies, procedures, processes, or other controls in place to update company records, and to monitor and track annual compliance. These participants also indicated that these policies and procedures are followed. Additionally, 59 percent of respondents also say they have just policies in place, which are also followed, to enable effective entity and subsidiary governance and oversight. A minority of respondents also say that their organizations have policies and processes to handle these issues but admit that these mechanisms are not followed or implemented.

Due to a change in the question, it is not straightforward to compare the results with last year's survey. In 2022, participants were asked about whether their organizations had "written LEM policies and procedure manuals to track annual compliance obligations to make updated to entities' corporate records". A majority of 55 percent reported that they did not have such policies in place. This year, a majority of companies have LEM policies and processes that they follow. While the question wording and structure, and thus the results, are not directly comparable, the results could suggest a step forward in the formalization of clear LEM policies and guidelines.

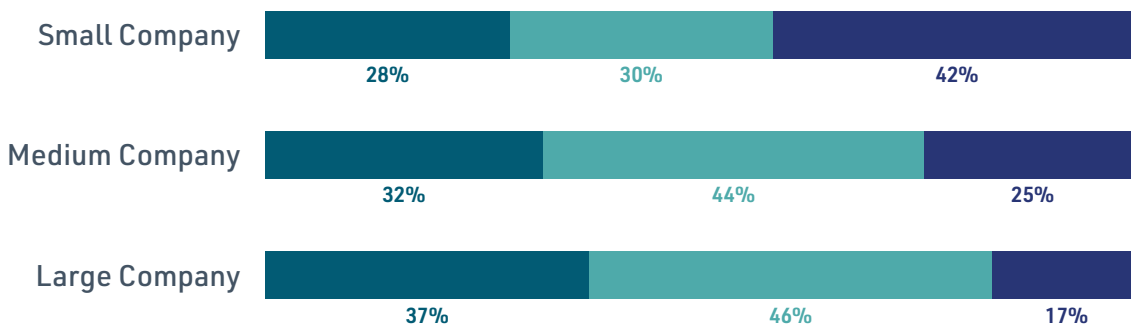
Do you have an up-to-date annual compliance calendar?

On top of standardized policies and processes, this year's results also show a positive development related to the existence of an up-to-date annual compliance calendar in participating organizations. Thirty percent of participants admitted that their company does not have an annual compliance calendar, but this number is down from 38 percent in 2022. Thirty-five percent of participants do have a single calendar compiling compliance obligations across the organizations, and an additional 36 percent indicated that there are multiple calendars in the organizations. These numbers are up three and five points, respectively, compared to the results observed last year.

- Yes, there is one calendar which compiles compliance obligations across the organization
- There are multiple annual calendars
- There is no annual compliance calendar in place



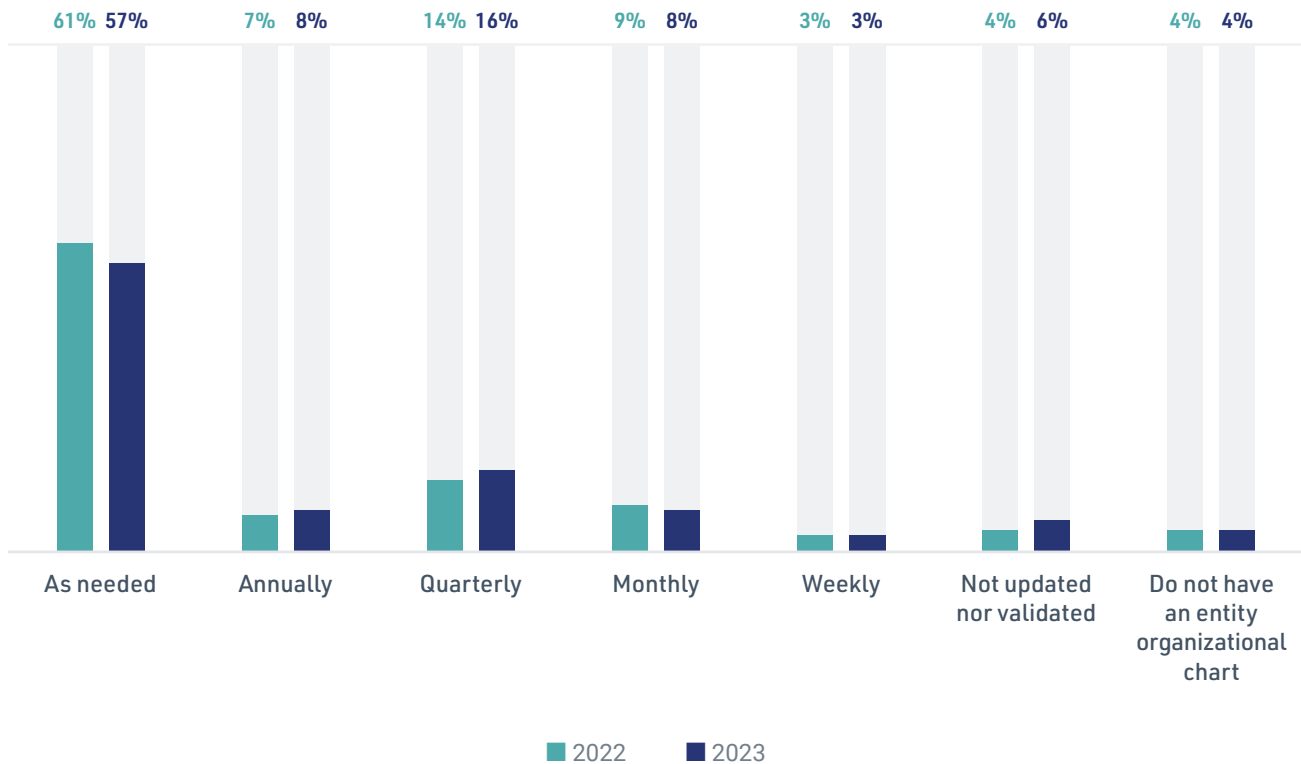
BY COMPANY SIZE



How often is the entity organizational chart updated and validated across all data systems?

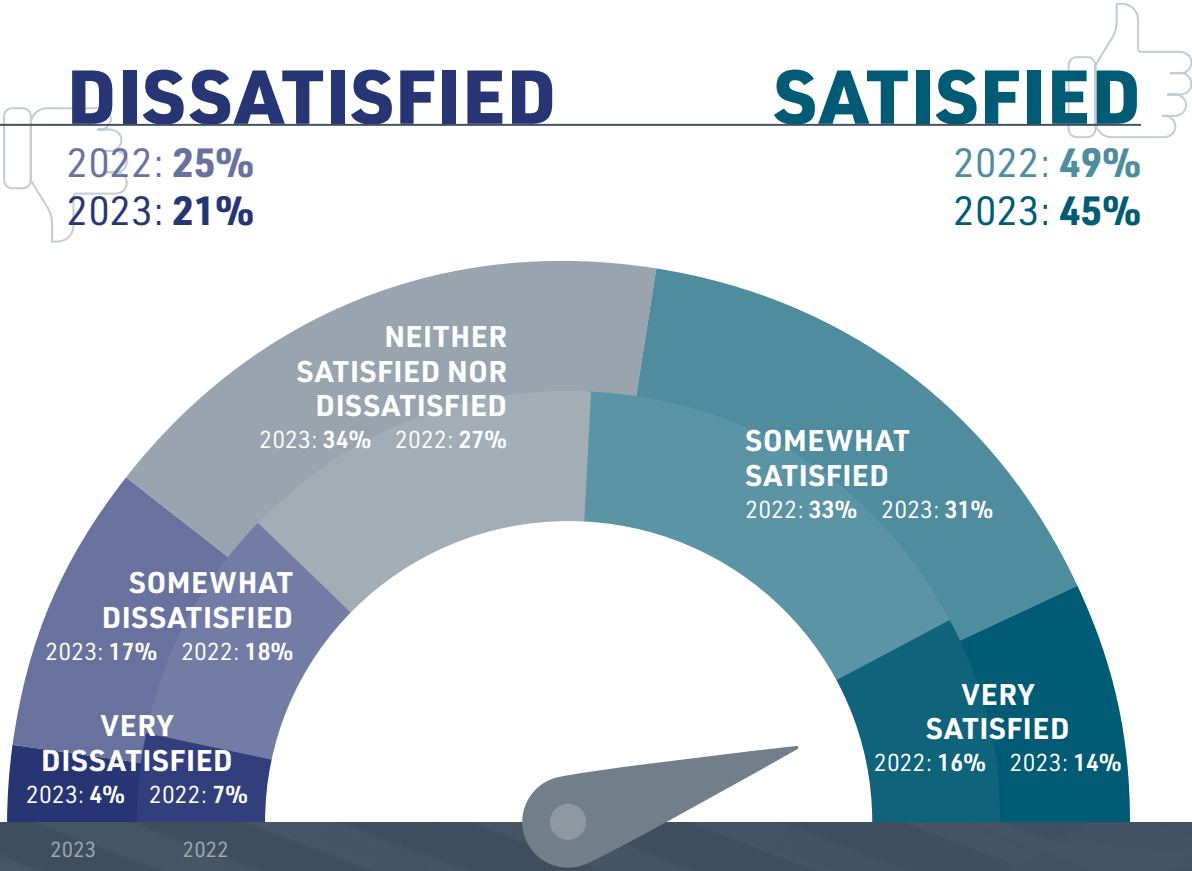
The distribution of the results related to how often the entity organizational chart is updated and validated has not changed much compared to the 2022 survey. Just four percent of respondents indicated that the company does not have an organizational chart, and six percent reported that the chart is not updated nor validated (a two point increase compared to 2022).

Most respondents indicated that the organizational chart is updated as needed (57 percent, a four-point decrease compared to last year), while 16 percent reported that the chart is updated each quarter. Eight percent update and validate the chart once a year. The remaining companies update the entity organizational chart more frequently, with eight percent updating and validating it on a monthly basis, and three percent of participating companies do so every week.



How satisfied are you that management and company stakeholders are sufficiently attuned to your subsidiary management processes from a governance perspective?

The level of satisfaction of survey participants this year about their company stakeholders being sufficiently attuned to the subsidiary management process seems to have shifted toward a more neutral stance compared to the results of last year’s survey, which was more aligned to very or somewhat satisfied. On the one hand, fewer participants expressed dissatisfaction about stakeholder knowledge of LEM activities and processes. Just 21 percent expressed dissatisfaction (with four percent being very dissatisfied) compared to 25 percent in 2022. On the other hand, however, there are also fewer respondents that are more satisfied with the level of attunement of company leaders and other key actors on LEM. Forty-five percent are satisfied (14 percent are very satisfied) compared to 49 percent last year. As a result, those who are neither satisfied nor dissatisfied represent the most common attitude toward this issue this year, with 34 percent, seven points more than the result observed in 2022.



Do you conduct any internal testing, monitoring or internal audits for LEM within the company?

Most participating organizations do not conduct any internal testing, monitoring, or internal audits for LEM, according to 58 percent of respondents (a two-point increase compared to 2022). Thirty-two percent of LEM teams do conduct internal testing, monitoring, and audits, showing a minor decrease in relation to the results observed last year. Eleven percent responded that they did not know.

YES

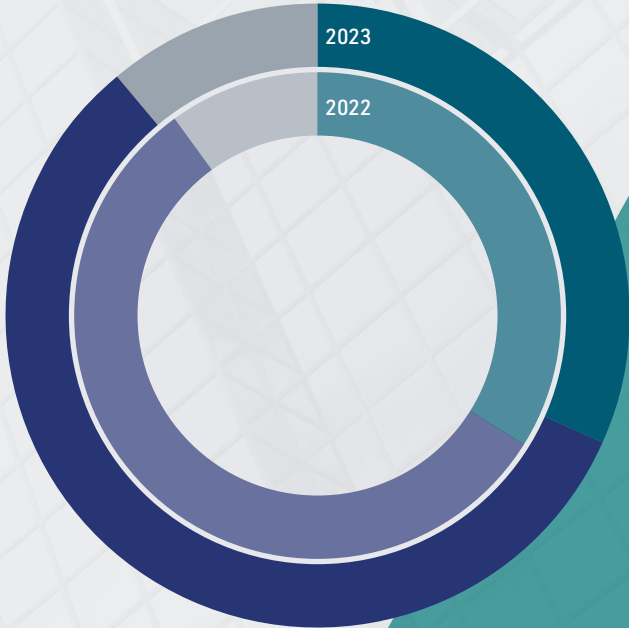
2022: 34%
2023: 32%

NO

2022: 56%
2023: 58%

DON'T KNOW

2022: 10%
2023: 11%

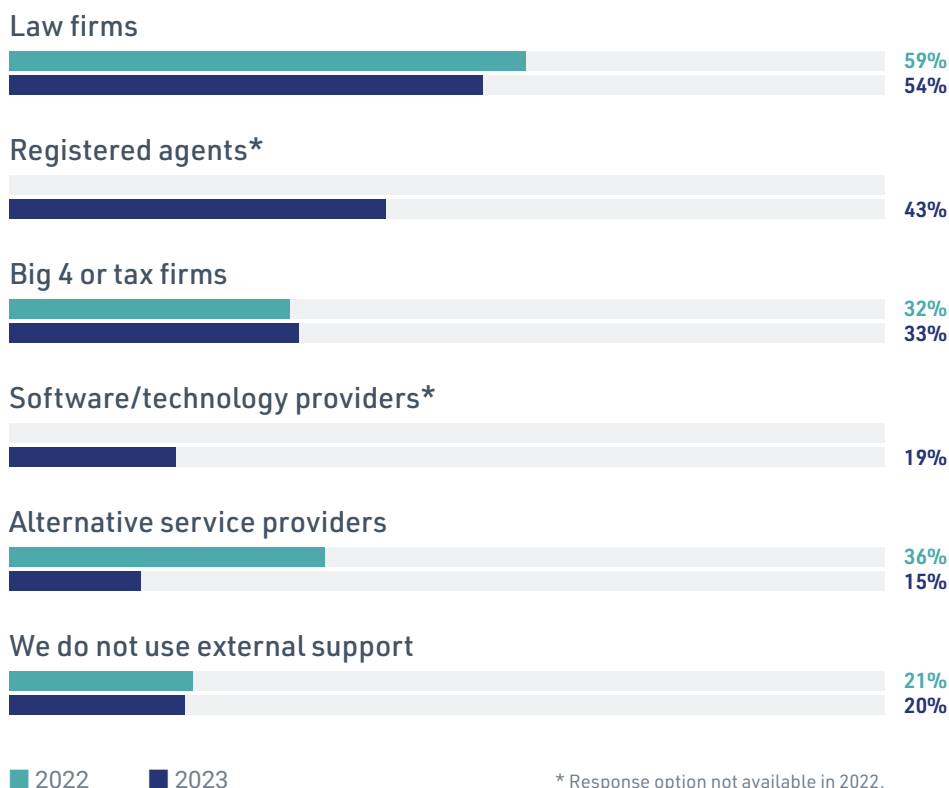


If you are using external support for LEM activities, which of the following do you use? *Select all that apply.*

Eight in ten participants reported that they use external support for LEM activities, just one percentage point higher than the result registered in 2022. This external support is mostly provided by law firms, according to most participants, with 54 percent indicating that outside counsel provide assistance managing LEM for their organizations. Though five points lower than the 2022 result, law firms remain the most used external vendor supporting LEM activities.

Forty-three percent use registered agents to help with LEM activities, 33 percent rely on the Big 4 or other tax firms, 19 percent use software and technology providers, and 15 percent engage alternative service providers. The latter result is quite different compared to last year's value, though the large difference is probably a result of a change in the question, which offered respondents two other options, namely registered agents and software/technology providers. It is very possible that respondents that used these two types of external vendors last year selected alternative service providers as their response.

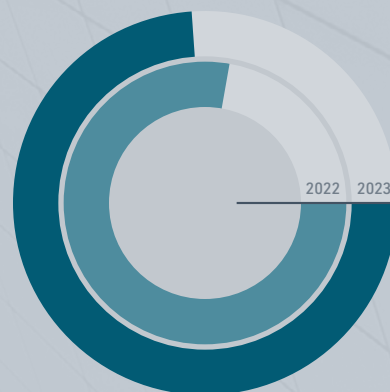
While affecting the comparability with the 2022 result, this new question provides greater detail while still showing that law firms remain the most common external support vendor for LEM activities, though larger organizations rely more on law firms than smaller ones.



If you are using external support, how many suppliers do you currently use overall?

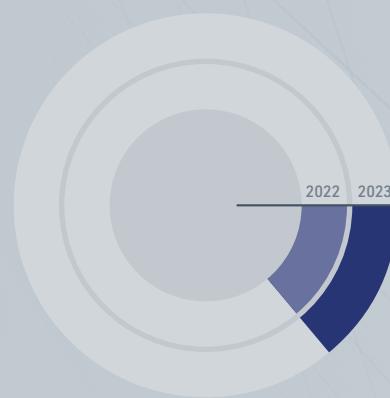
Asked only to those who did not select "We do not use external support".

Organizations that use external support for LEM activities tend to rely on a small number of external vendors (one to five) according to 74 percent of respondents. Fourteen percent reported using between six and 10 vendors to support LEM activities, and 12 percent reported using more than 10 external vendors. The results show a small, four-point decrease in the number of organizations that use fewer vendors, but overall, the results remain very similar to those observed in 2022. Larger organizations, which are more likely to have more complex situations from an entity depth and compliance perspective, tend to use more vendors than smaller organizations.



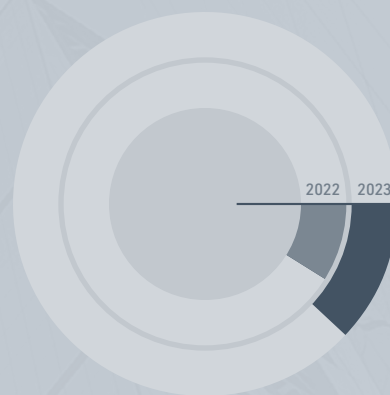
1 TO 5

2022: **78%**
2023: **74%**



6 TO 10

2022: **14%**
2023: **14%**

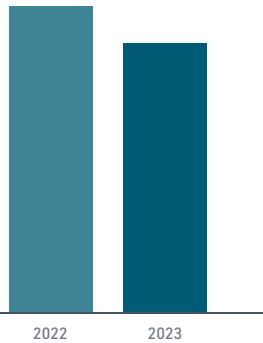


MORE THAN 10

2022: **9%**
2023: **12%**

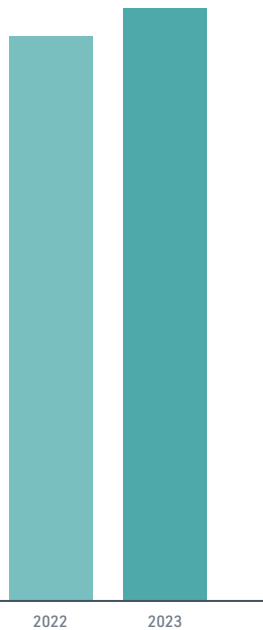
VERY CONFIDENT

2022: **27%**
2023: **24%**



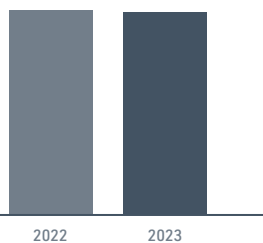
SOMEWHAT CONFIDENT

2022: **51%**
2023: **53%**



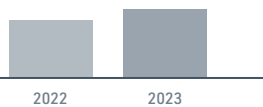
SLIGHTLY CONFIDENT

2022: **18%**
2023: **18%**



NOT AT ALL CONFIDENT

2022: **5%**
2023: **6%**



How confident are you in your organization's ability to track and stay in compliance with regulatory changes?

A majority of survey respondents are very confident or somewhat confident in their organization's ability to track and stay in compliance with regulatory changes. Twenty-four percent are very confident and 53 percent are somewhat confident, compared with 27 percent and 51 percent, respectively, in 2022. Eighteen percent are only slightly confident, and just six percent of participants are not at all confident in their organization's ability to stay in compliance.

Participants in large organizations are twice as likely to be very confident in their organization's ability to track and stay in compliance with regulatory changes – 40% compared to just 20% among those in smaller organizations.

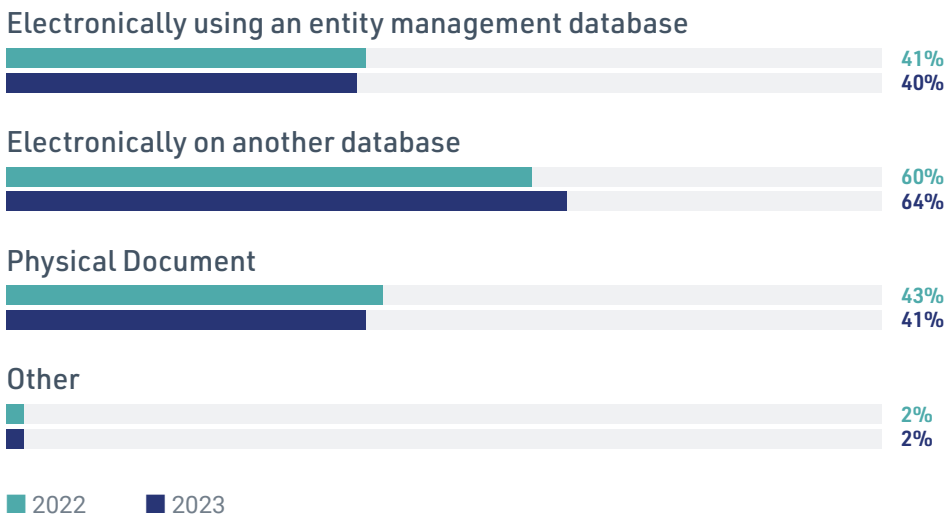
How are entities' corporate records maintained?

Select all that apply.

Forty percent of participants said that entities' corporate records in their organization are maintained electronically using an entity management database, practically the same percentage registered last year. A larger number of participants responded that they keep records electronically on another type of database (64 percent, a four-point increase compared to 2022), and 41 percent of participants say that they maintain entities' corporate records in a physical document format.

Most departments that keep physical records use those as a backup or in addition to an electronic database. Among all respondents, just seven percent responded that they use physical records exclusively to maintain entities' corporate records, 59 percent use an electronic format exclusively, and 34 percent use a combination of physical and electronic formats.

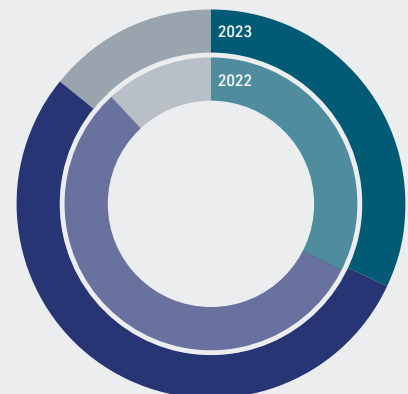
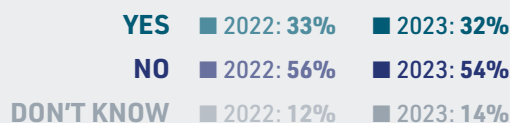
Companies in IT (63%) and insurance (61%) maintain corporate records using an entity management database more commonly than companies in professional services (33%), retail (33%), construction (31%), and real estate (24%).



Other methods: electronically, but not on a database; email; outsourced to vendors.

Have updates to your entities' corporate records been delayed at any time over the past 24 months?

Comparably to last year's results, most participants indicated that their entities' corporate records had not been delayed in the last 24 months (54 percent compared to 56 percent in 2022). Under one third reported that their records had been delayed, and 14 percent were not sure.

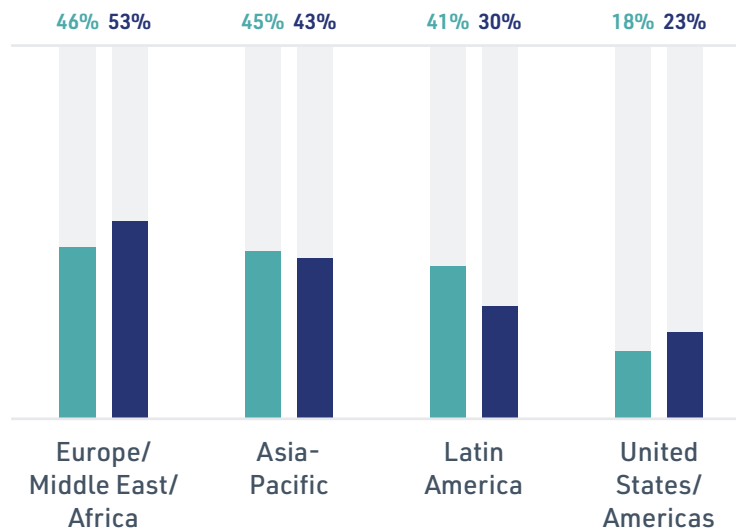


Participants in organizations that operate globally, that is, that they have operations in all four global regions (Asia-Pacific, EMEA, Latin America, and US/Americas) were asked to say in which region(s) were corporate records the most challenging to keep up to date. Like in 2022, most participants in these global companies find that keeping records up to date in Europe, Middle East, and Africa is the most challenging, though the gap vis-à-vis the second most challenging region, Asia-Pacific, has widened substantially. Fifty-three percent find that keeping records on track in EMEA is challenging compared to 43 percent that believe that the Asia-Pacific region presents considerable challenges. Thirty percent also think that keeping corporate records updated in Latin America is challenging (showing a 11-point decreased compared to last year), and 23 percent believe that keeping records up to date in the US/Americas region is challenging (a five-point increase since 2022).

In which regions do you find corporate records the most challenging to keep up to date?

Select all that apply.
 Asked only to participants in organizations operating in all global regions.

■ 2022 ■ 2023

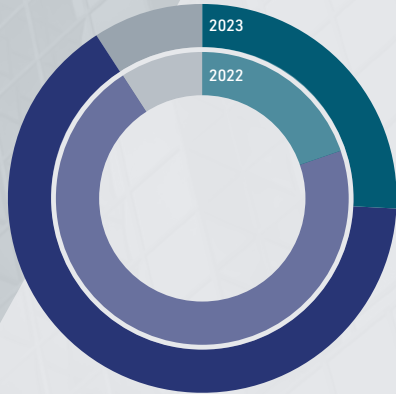


“ Many companies lack official entity management policies, procedures and process, which lead them to a much higher likelihood of missing filing deadlines or meeting sudden changes in legal requirements. There can be potentially serious consequences for this that can go beyond business interruption or reputational risk. Make sure you have a compliance calendar in place and that you identify the appropriate individuals for reporting and oversight. Get training for your directors and a regular interval of audits. Finally, take advantage of the technology that is available, which can help you organize and maintain all essential governance information.”

– MASAHIRO HOMMA, CHIEF LEGAL OFFICER, NISSIN FOODS HOLDINGS CO., LTD.

Have any entities been out of good standing with its regulators at any time over the past 24 months?

More companies this year admitted that some entities in their organization had been out of good standing with their regulators in the last 24 months, with 26 percent reporting this was the case compared to just 20 percent last year. Sixty-five percent of organizations did not have any issues related with their entities, and nine percent of respondents were uncertain.

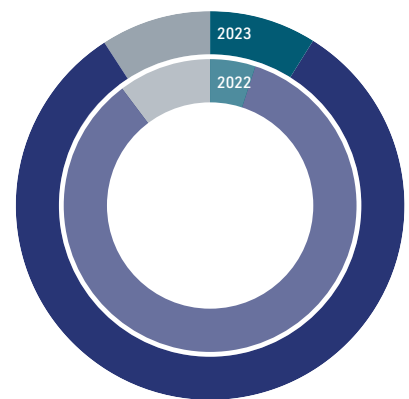


YES	■ 2022: 20%	■ 2023: 26%
NO	■ 2022: 72%	■ 2023: 65%
DON'T KNOW	■ 2022: 9%	■ 2023: 9%

40% of participating companies in finance and banking have been out of good standing with their regulators in the last two years, while only 13% of manufacturing companies have struggled on this front.

Has a delinquency regarding an entity's status or standing with a regulator ever impacted a business transaction or strategic initiative (e.g., delayed an M&A transaction or entity rationalization effort)?

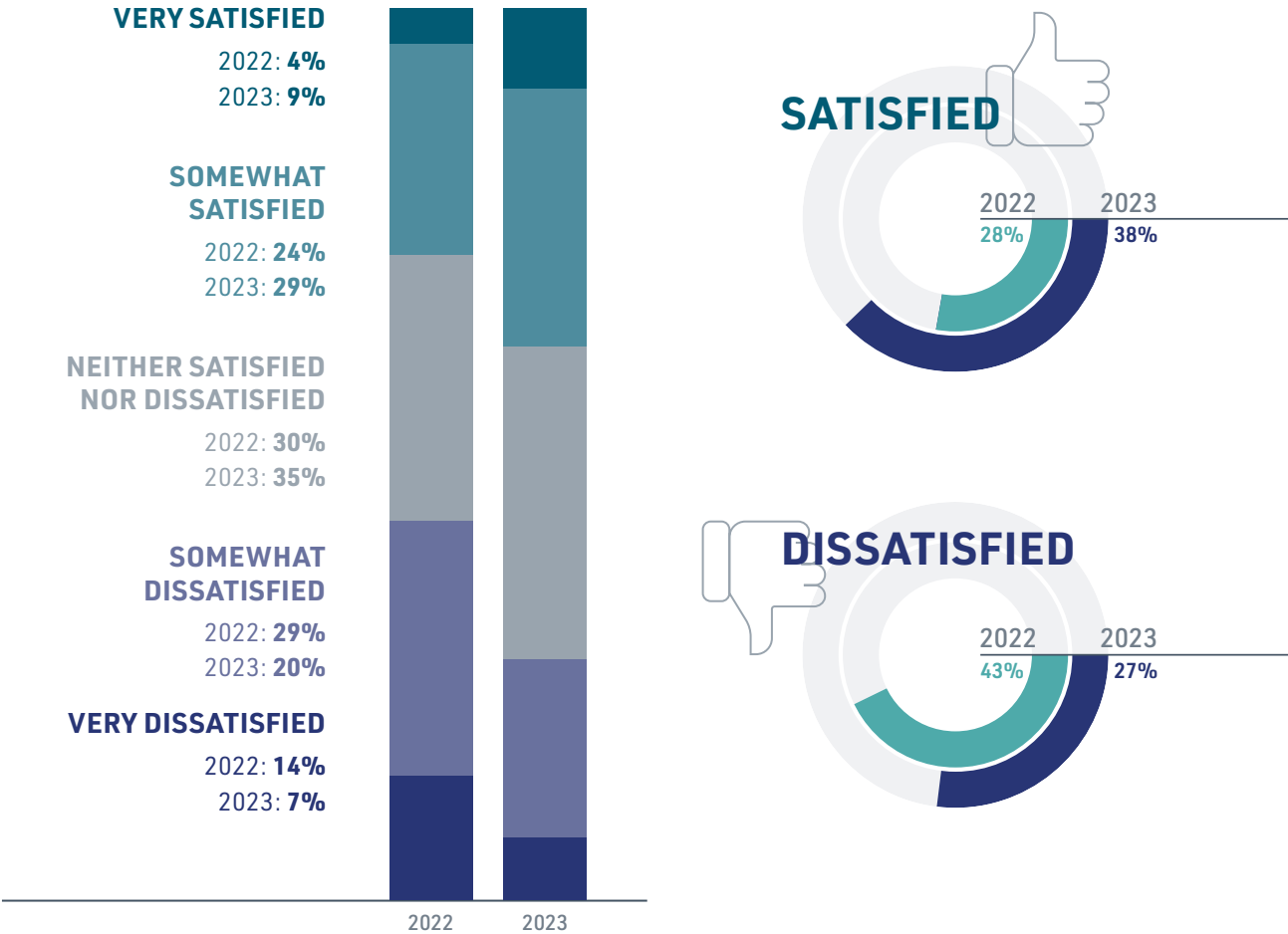
Similarly, more participants this year reported that a delinquency regarding an entity's status or standing with a regulator had impacted a significant business transaction or a strategic initiative, though the overwhelming majority of participants reported that this situation did not affect their companies. Nine percent reported that a delinquency had impacted a business transaction or initiative compared to just five percent the previous year, and an additional nine percent were uncertain.



YES	■ 2022: 5%	■ 2023: 9%
NO	■ 2022: 84%	■ 2023: 82%
DON'T KNOW	■ 2022: 10%	■ 2023: 9%

THE STATE OF THE LEM FUNCTION

How satisfied are you with the technology in place to support your LEM responsibility?

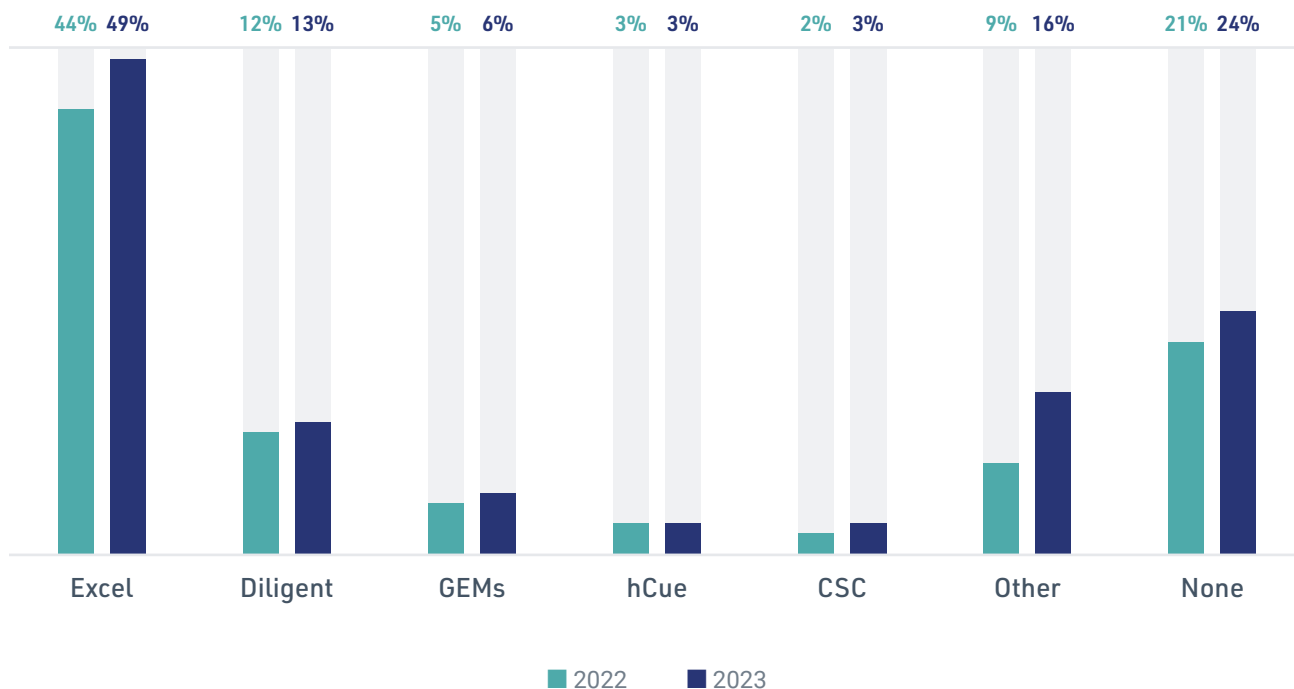


Survey participants this year appear to be more satisfied with the technology supporting their LEM activities than they were in 2022. Still, just 38 percent reported being either very or somewhat satisfied, which nevertheless represents a ten-point increase compared to last year’s survey. Fewer respondents than last year were dissatisfied with their company’s LEM technology, with 27 percent expressing dissatisfaction compared to a substantially larger value of 43 percent in the previous survey, resulting in a 16-point decrease. About one-third of respondents remained rather neutral, indicating that they were neither satisfied nor dissatisfied with their LEM technology (35 percent compared to 30 percent in 2022).

What LEM platform does your company currently use?

Select all that apply.

Practically half of participants say that their organization uses Excel as their LEM platform, a result five points higher than the one recorded last year. The usage levels of other platforms remain very similar to those observed in 2022, with 13 percent of respondents using Diligent, six percent using GEMs, three percent using hCue, and two percent using CSC. Sixteen percent of respondents use another, non-listed software to support LEM activities. Twenty-four percent do not use any LEM technology platform, a slight increase compared to the 21 percent value recorded in 2022.

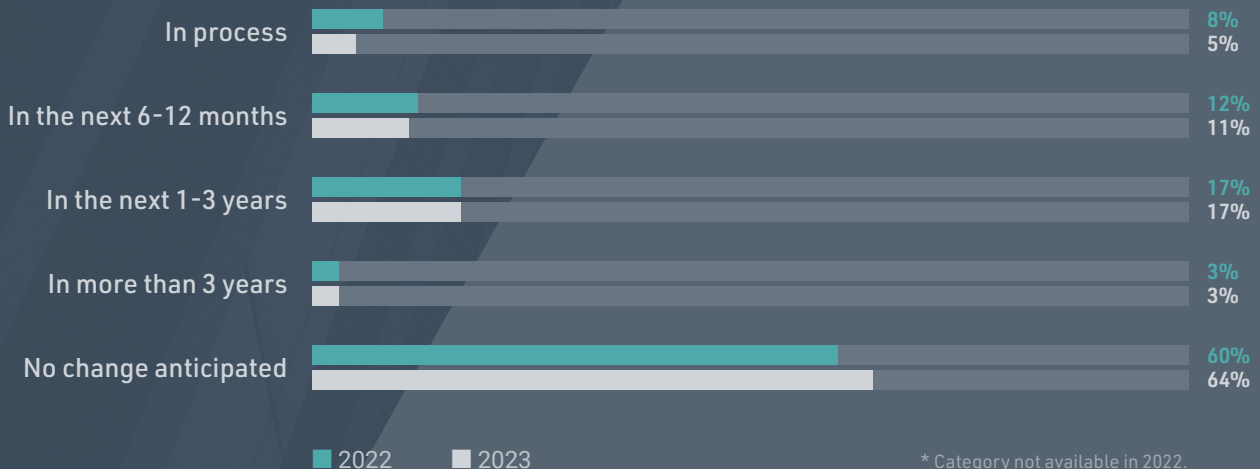
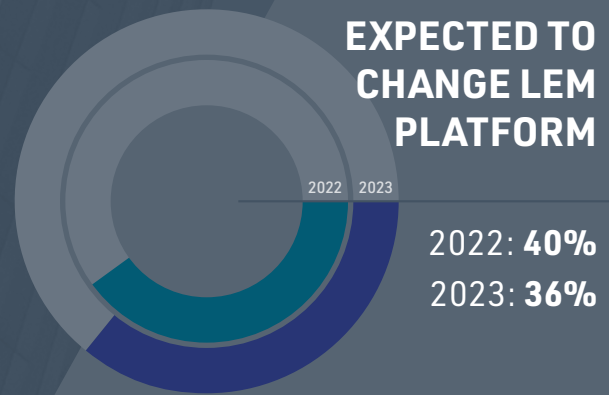


Most companies with under \$1B in revenue use Microsoft Excel for LEM activities (53%). Although a plurality of large companies with \$5B or more in revenue also use Excel (40%), they use other specific LEM platforms in greater numbers.

When does your company anticipate making a change to its LEM platform?

Thirty-six percent of participants expect they will change their LEM platform in the near future compared to 40 percent reported in the 2022 survey. This decrease could be attributed to budgetary restrictions or to some organizations having recently updated their LEM technology, or perhaps due to the slightly higher satisfaction levels recorded by participants this year (only 25 percent of those who reported being satisfied with their current LEM technology anticipated any changes, and just 11 percent expected to make a change in the coming year).

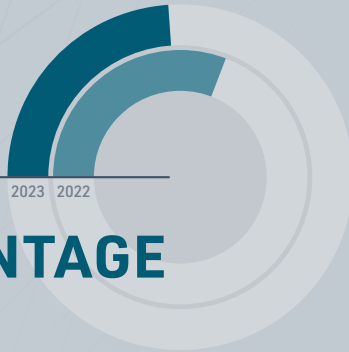
Five percent reported that their organization was already in the process of changing their LEM platform, 11 percent expected the change to occur within the next six to 12 months, 17 percent anticipated a change to take place in one to three years, and an additional three percent of respondents expected it would be more than three years until they anticipate replacing their LEM platform.



Is board portal technology leveraged for board support roles and responsibilities?

2022: 31%

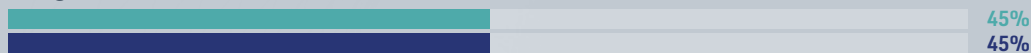
2023: 24%



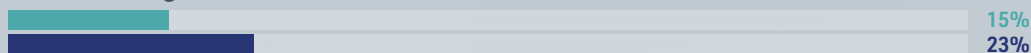
**PERCENTAGE
"YES"**

Just about one in four respondents use board portal technology compared to 31 percent last year, a seven-point decline. Among those who use board technology, almost half reported using Diligent, while 23 percent use BoardVantage (an eight-point increase compared to last year's result). These are by far the most common technology solutions used by survey participants, while a minority of respondents are using BoardEffect (five percent), OnBoard (three percent), in-house built tools (two percent), and Directors Desk (one percent). An additional 23 percent of respondents use other tools.

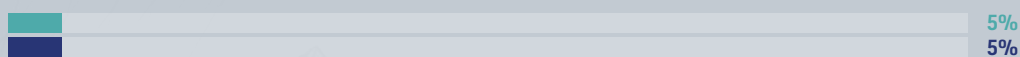
Diligent



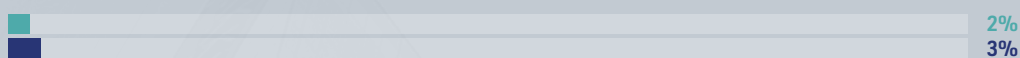
BoardVantage



BoardEffect



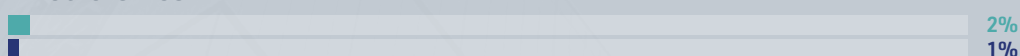
OnBoard



In-house built



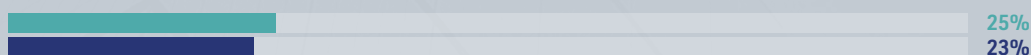
Directors Desk



Directorpoint



Other



■ 2022 ■ 2023



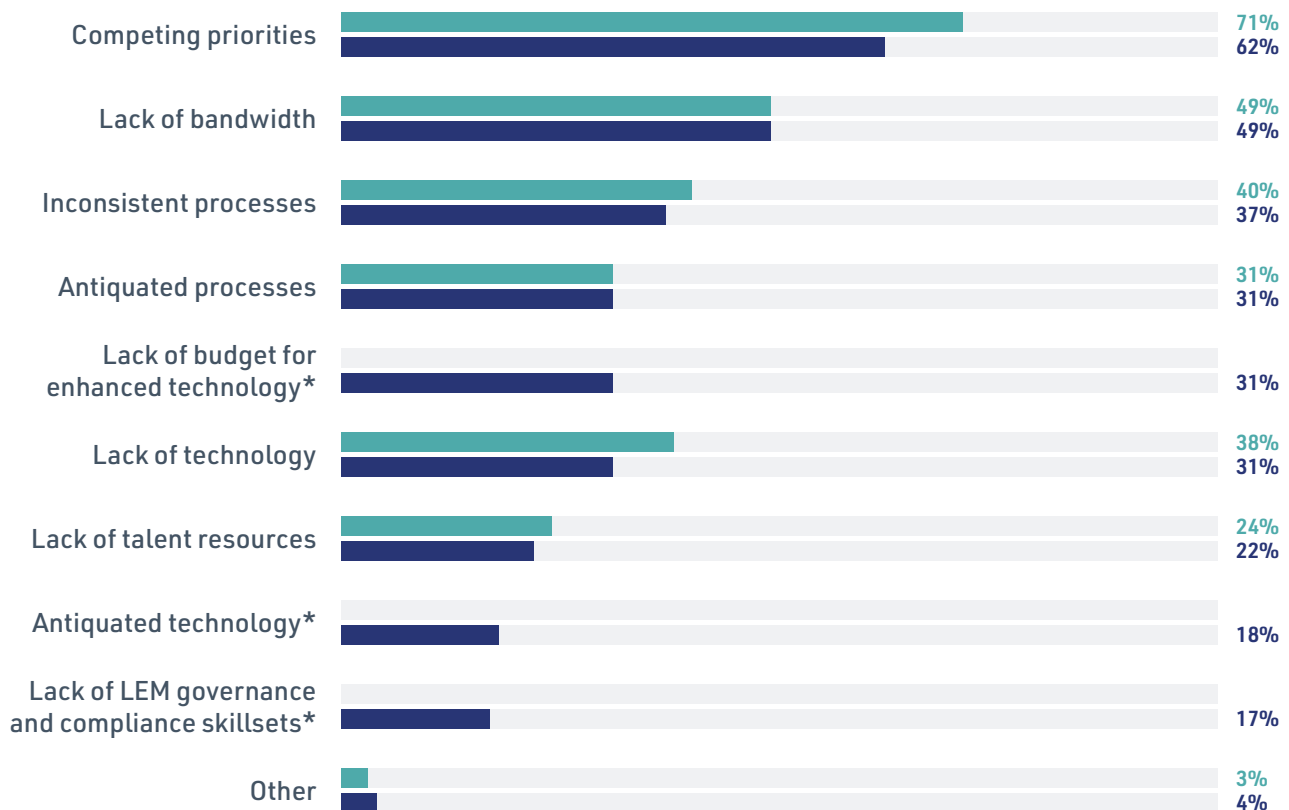
The survey results highlight the increasing number of pain points many organizations are facing with respect to their entity management. Whether to address competing priorities, lack of resources or bandwidth, insufficient use of technology, or outdated processes – organizations are turning to customized solutions, inclusive of outsourcing, to bring about greater efficiencies with their entity management practices.”

– MICHAEL ROSSEN, MANAGING DIRECTOR, LEGAL BUSINESS SERVICES, DELOITTE TAX LLP

Please select the pain points faced by your LEM department. *Select all that apply.*

Competing priorities remains the most common pain point for LEM teams represented in the survey. Sixty-two percent selected this as one of the main challenges for their team’s success, compared to 71 percent recorded in 2022. Half of respondents noted the lack of bandwidth as one of the main challenges, and 37 percent pointed at the difficulties of having to deal with inconsistent processes. Antiquated processes, the lack of budget for enhanced technology, and the lack of technology itself were all selected by 31 percent of participants, 22 percent complain about the lack of talent resources, 18 percent expressed dissatisfaction with having to cope with antiquated technology, and 17 percent selected the lack of LEM governance and compliance skillsets as one of the team’s pain points.

Because more options were added to the list of pain points this year, a comparison with the 2022 results is not as straightforward as with other questions, but the general trend remains similar to the one observed last year: competing priorities, lack of bandwidth, and inconsistent processes remain the top three pain points for LEM teams.



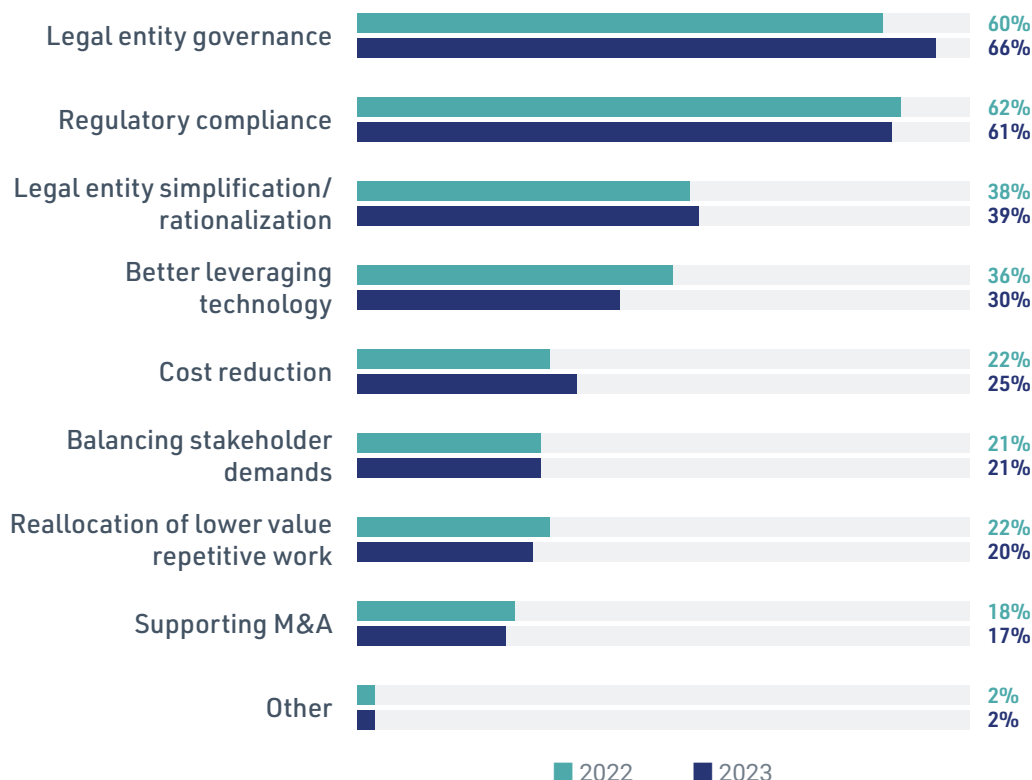
■ 2022 ■ 2023

* Category not available in 2022.

Please select the top three priorities for your LEM department over the next year.

In terms of immediate priorities for LEM departments, participants continue to place the most emphasis on legal entity governance (66 percent, a six-point increase since 2022) and regulatory compliance (61 percent, resulting in a one-point drop). These two priorities swapped places this year, with legal entity governance raising to the top, but they both remain the two main areas that participants will prioritize in the coming year. At some distance comes legal entity simplification and rationalization, with four in ten participants selecting it among their top three priorities, and better leveraging technology, with 30 percent, a six-point decrease compared to last year and potentially a result as well of the relative higher satisfaction with LEM technology observed this year (among those who are very or somewhat satisfied with their LEM platform, only 10 percent indicated that better leveraging technology was one of their top three priorities for the LEM department this coming year).

Cost reduction will be a priority for 25 percent of participants (three points more than in 2022), balancing stakeholder demands will be for 21 percent, 20 percent will prioritize the reallocation of lower value, repetitive work, and 17 percent will focus on supporting M&A. Two percent of participants selected other priorities, such as enhancing record keeping, increasing LEM staff numbers, and supporting business development.



How do you communicate the value of LEM to your organization's leadership?

Select all that apply.

In order to communicate the value of entity management to the organization's leadership, most participants (54 percent) say that they routinely manage to corporate rationalization goals, 37 percent use qualitative reporting, 22 percent use quantitative reporting, and three percent use other types of communication. The number of participants that say that they do not communicate the value of LEM to their company leadership has practically doubled, from five percent in 2022 to nine percent this year. Although not an encouraging sign by any means, the number of participants that do not communicate the valuable work of the LEM team to the company's leadership remains limited at fewer than one in ten participants.

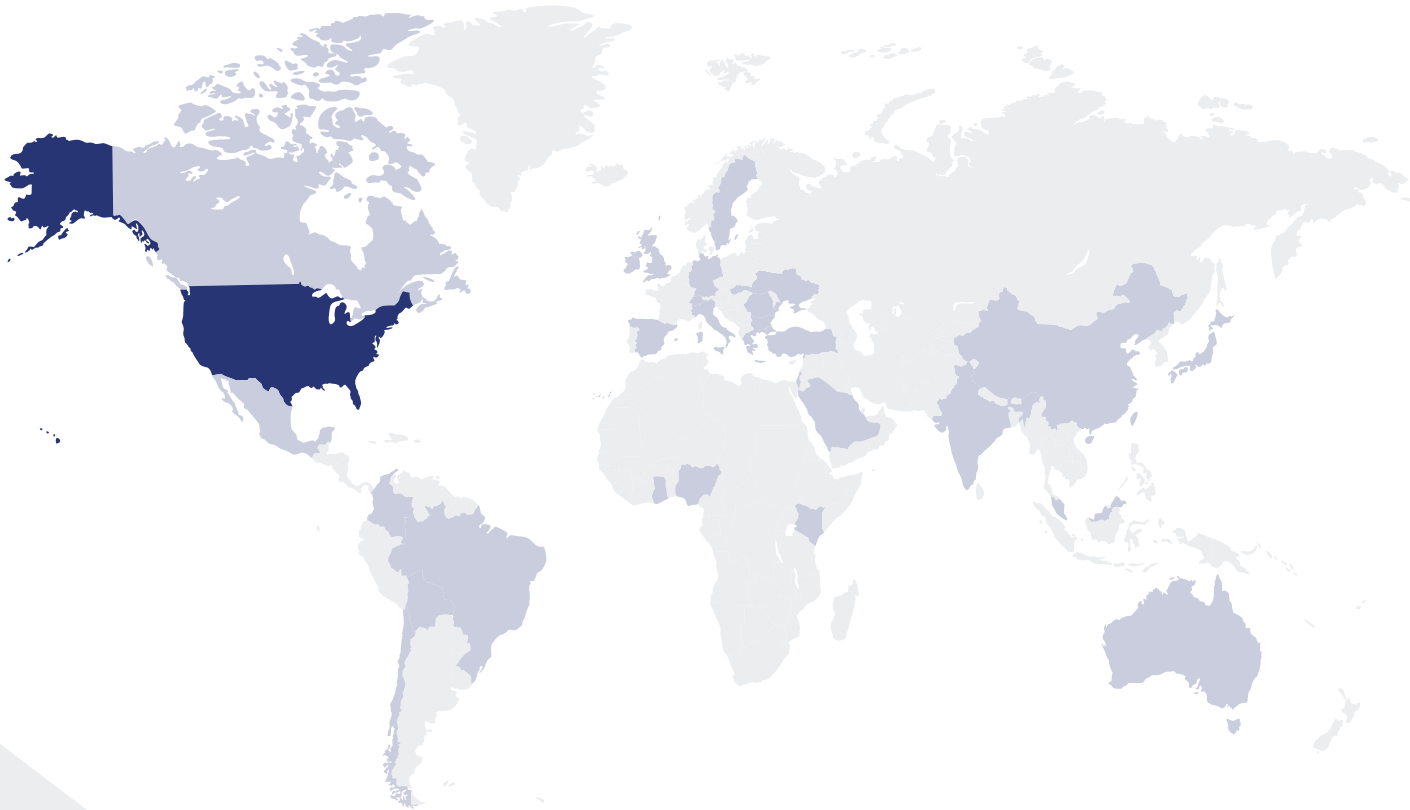
Large companies tend to make greater use of quantitative (KPIs and analytics) and qualitative reporting to communicate the value of LEM than smaller organizations.



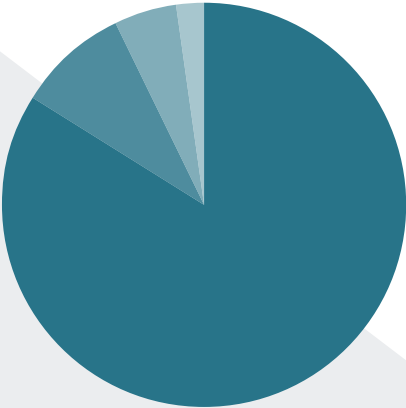
DEMOGRAPHICS

COUNTRIES AND GLOBAL REGIONS

Countries Represented

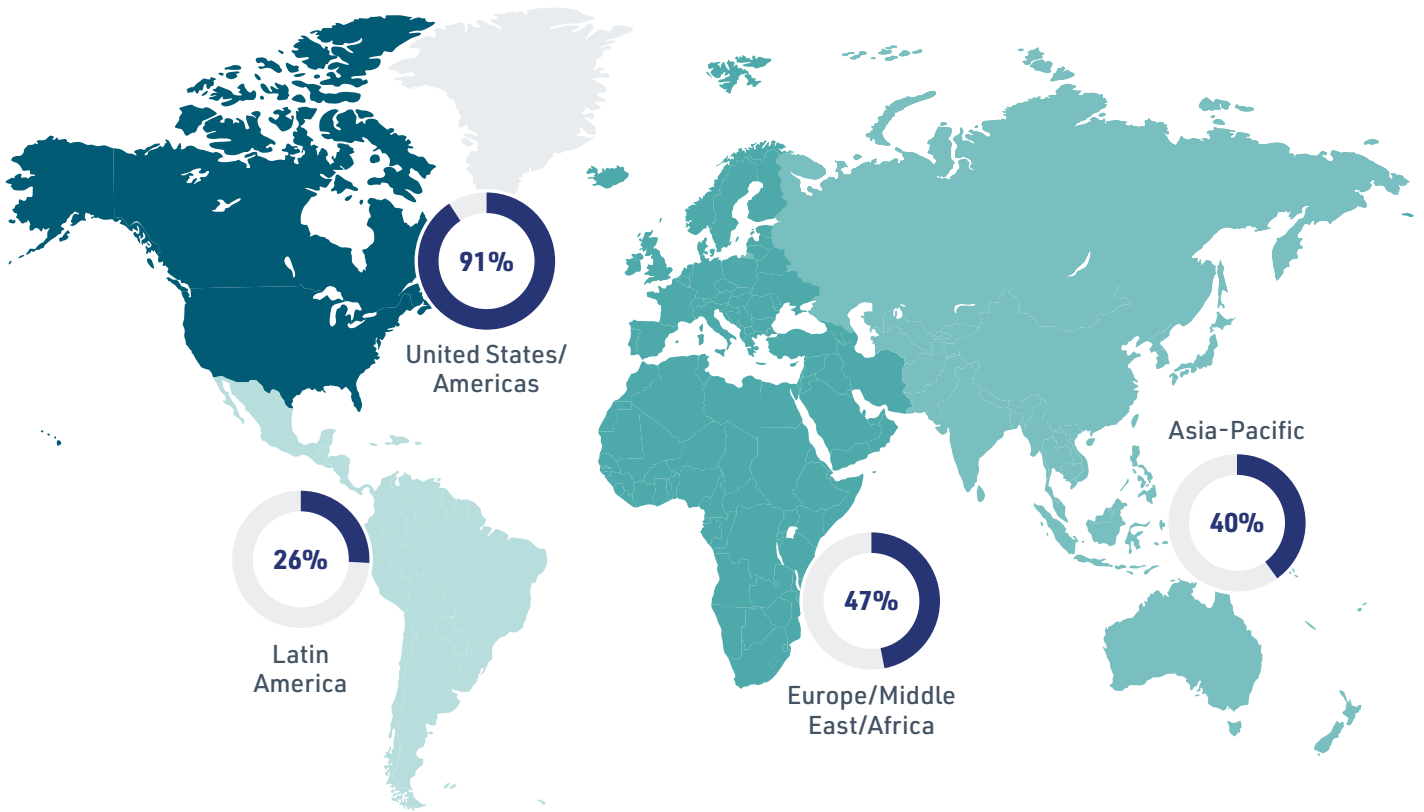


Global Regions Represented

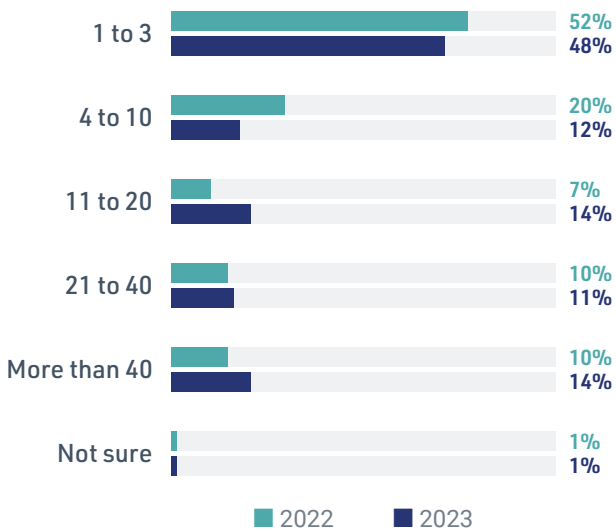


- United States/Americas 84%
- Europe/Middle East/Africa 9%
- Asia-Pacific 5%
- Latin America 2%

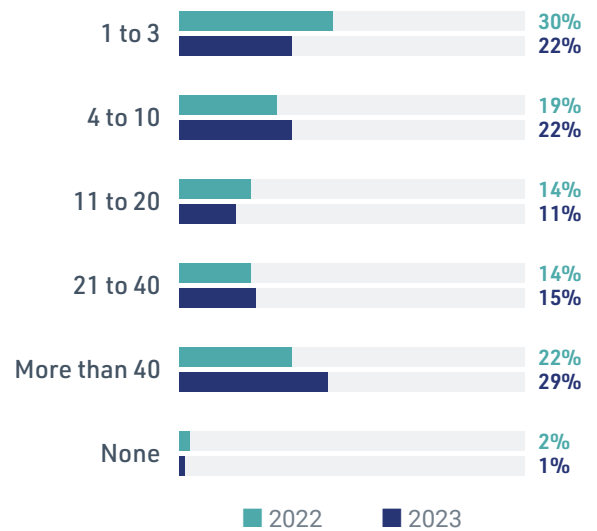
Regions where participant organizations operate



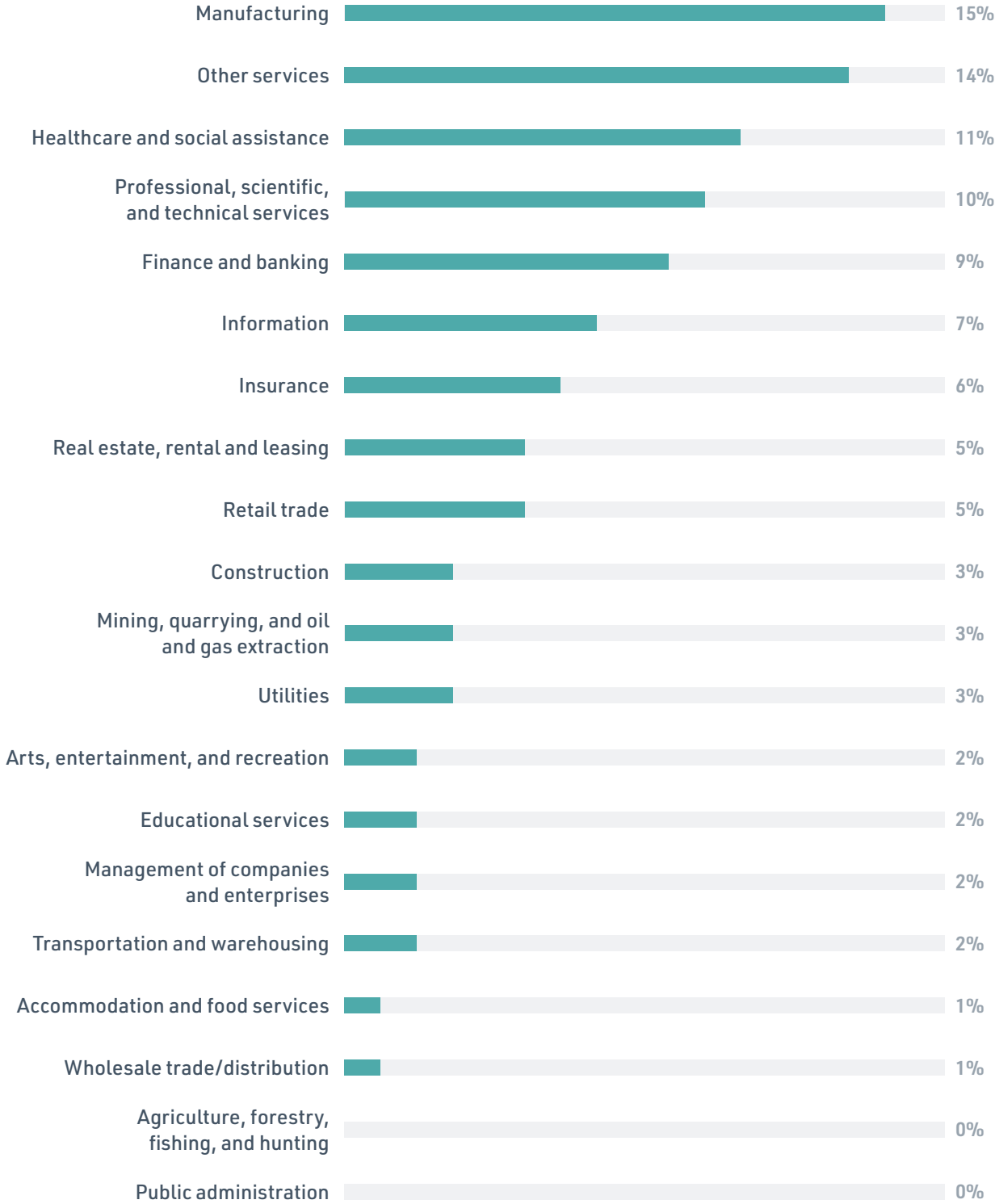
Number of different countries where companies operate



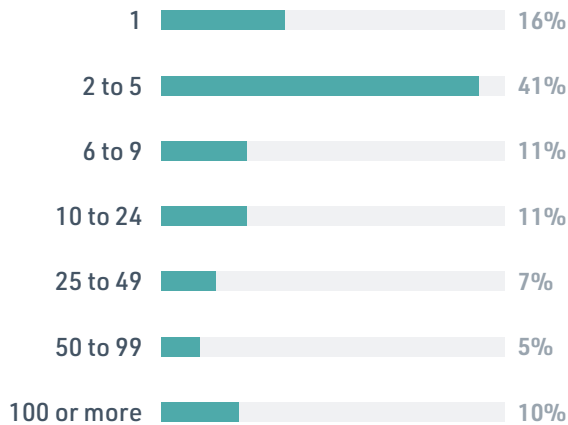
Number of different US states where companies operate



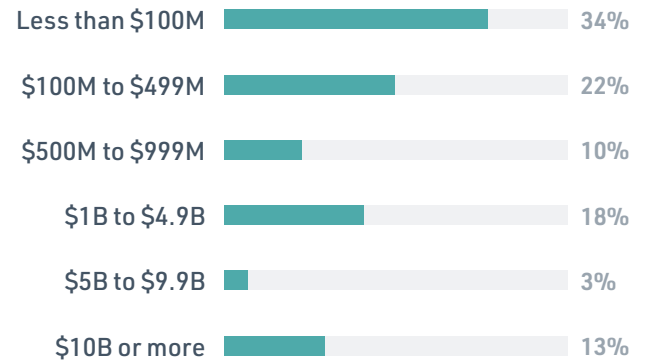
INDUSTRY



LAW DEPARTMENT EMPLOYEES



COMPANY REVENUE



SURVEY DETAILS

SURVEY INSTRUMENT

The survey questionnaire was offered through an online survey platform. Personalized survey links were sent by email to the target population, which allowed participants to save their responses and fill out the questionnaire in more than one sitting, if needed.

FIELDING PERIOD

The survey opened on November 15, 2022 and closed on January 6, 2023. Reminder emails were sent weekly.

TARGET POPULATION

We targeted ACC members worldwide. To further expand our reach, we also sent participation invites through other ACC partner organizations.

PARTICIPATION

A total of 467 legal professionals participated in the survey. Apart from targeted email messages, opportunities to participate were also sent through LinkedIn campaigns.

ANONYMITY

Survey responses were completely anonymous. No information is linked in any way to an individual respondent. The results are provided only at the aggregate level.

DATA ACCURACY

Not all respondents answered all questions. The percentages provided are based on the number of valid responses received for each individual question. Many survey questions offered the opportunity to select multiple response options. In those cases, percentages may not total to 100 percent.

OPEN-ENDED RESPONSES

Some survey questions required open-ended responses. Many of the quotes and citations from participants that we present throughout the report were shortened or edited due to space or style needs, or to remove any identifiable information related to individuals or their organizations, if necessary.

ABOUT ACC

The Association of Corporate Counsel (ACC) is a global legal association that promotes the common professional and business interests of in-house counsel who work for corporations, associations and other organizations through information, education, networking opportunities and advocacy initiatives. With more than 45,000 members employed by over 10,000 organizations in 85 countries, ACC connects its members to the people and resources necessary for both personal and professional growth.

To learn more about ACC's Research & Insights please contact ACC Research at +1.202.293.4103 or visit acc.com/surveys.

HEADQUARTERS

1001 G Street NW, Suite 300W
Washington, D.C. 20001 USA
+1.202.293.4103

BRUSSELS OFFICE

Rue de la Science 14b
1040 Brussels – Belgium
+32.488.46.72.88

HONG KONG OFFICE

Suite One and Two,
23/F The Wah Hing Building
283 Lockhart Road, Hong Kong
+852.9686.5089

MELBOURNE OFFICE

P.O. Box 422
Collins Street West
Melbourne, Victoria 8007
+61.3.9248.5500

This report and the information contained herein are copyrighted by the Association of Corporate Counsel (ACC). All additional requests for use must comply with ACC's copyright policy located at acc.com/about/privacy-policies/copyright.

When using information from this report, the following language must appear: Reprinted with permission from the Association of Corporate Counsel 2022. All Rights Reserved.

©2023 Association of Corporate Counsel, All rights reserved.

research@acc.com

acc.com



By in-house counsel, for in-house counsel.®

ABOUT DELOITTE

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This document contains general information only and the respective authors and their firms are not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. The respective authors and their firms shall not be responsible for any loss sustained by any person who relies on this document.

Deloitte Tax LLP does not practice law or provide legal advice.

As used in this document, "Deloitte" means Deloitte Tax LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

